



Organizing for future growth

TOP-TOY's Performance Report 2015/2016



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“ This year has been marked by a number of significant changes for TOP-TOY – new owners, a new board, a new CEO and a new head office. I see great potential in our organisation, and I am confident that **exciting times and growth are ahead** ”

MESSAGE FROM OUR CEO

In 2015/2016, we undertook significant changes to strengthen our organisation. The biggest was the sale to the private equity fund EQT, making them the majority owner of TOP-TOY. Looking ahead, we need to continue evolving to stay competitive. Relentless customer focus and working in a coherent and collaborative manner across TOP-TOY and with our partners are necessary to ensure our customers enjoy a great shopping experience and a strong product offering that keeps them coming back.

I would like to say a big thank you to all employees for embracing the opportunities this year's changes have brought and for welcoming me into an organisation full of dedicated people who know their business. Exciting times lie ahead as we work together to attain long-term

growth for TOP-TOY and to ensure that children across the markets we operate in get hours and hours of safe, joyful play and learning.

From family owned to private equity ownership

During the year, TOP-TOY entered a partnership with EQT. Following this change of ownership, a new board of directors was established, and I joined TOP-TOY as CEO after Peter Gjørup as the first CEO of TOP-TOY without family relations. These steps are a natural continuation of the journey that began with the launch of our new strategy in 2014/2015. Our goal is to develop and grow our company to ensure we remain the undisputed no. 1 toy retailer in the Nordic region. To achieve that, we will build on our more than 50 years of experience while adapting proactively and continuously to the dynamic toy market.

Financial performance

This year we have seen our sales increase both online and in our physical stores in total with 5.9% in constant currencies. However, following the closure of our wholesale business, our top line has, as expected, declined 2%. We have also seen a reduction in our profits, largely due to the one-off costs related to this closure and the write down of assets related to moving our Danish head office. Changes in foreign exchange ratios also had a negative impact on the operating result. We experienced a higher cost of goods sold due to a stronger USD and lower revenue due to a lower exchange rate for Norwegian and Swedish kroner. Overall our financial result this year did not meet expectations and is considered unsatisfactory.

A continuing, very competitive retail marketplace for toys calls for a lean cost structure and strong price and margin management. Our key ambition for 2016/2017 is to grow our sales and market share in all our markets. I am confident we can achieve this through a powerful selection of great new toys relevant to our two retail banners and made available through an improved online shopping experience; through successful implementation of a new ERP system and through continued development of the TOP-TOY culture. All with an ongoing focus on ensuring our stores provide great customer experiences and sell fun, inspirational and safe quality products.

Growing responsibly

Our long-term growth has to be achieved in a responsible manner. This is why TOP-TOY has been a signatory of the UN Global Compact since 2010. Our commitment is as strong as ever.

In 2015/2016, we have continued our work to ensure safe play for children, safe and responsible conditions for the workers who produce our products and an ethical approach to our product offering and marketing. It has been a great pleasure for me to find that this commitment is firmly embedded in TOP-TOY.

Søren Torp Laursen
CEO

HIGHLIGHTS OF THE YEAR

TOP-TOY entered a partnership with EQT.

EQT IS NOW THE MAJORITY SHAREHOLDER in the company, while the founding Gjørup family still owns approximately 24%. Changes were also made to the Board of Directors and a new chairman appointed.

EQT



On 1 January 2016, we **COMPLETED THE CLOSURE OF OUR WHOLESALE BUSINESS, NORSTAR.**



In October 2015, we finalised the implementation of the **NEW BR STORE DESIGN**, which aims to improve our customers' shopping experience. More than 210 stores in our Nordic markets now enjoy the new, modern look.



In spring 2016, **SØREN TORP LAURSEN** joined TOP-TOY as CEO. Søren comes with solid experience in the toy business from 29 years of working for LEGO.



8 NEW TOYS'R'US STORES OPENED and 1 closed as part of our store network optimisation.



16 NEW BR STORES OPENED and 11 closed as part of our continuous store network optimisation.

ADJUSTED EBITDA TOTALLED DKK 165 MILLION

DKK 3,538 MILLION IN ADJUSTED REVENUE



In March 2016, **WE MOVED OUR DANISH HEAD OFFICE** from Tune, Roskilde to new modern facilities closer to Copenhagen (Vallensbæk).



135,635 PRODUCTS SOLD FROM OUR FSC-CERTIFIED BR Wood product line



WORKING CONDITIONS SCREENED AT 836 FACTORIES that manufacture the products we offer our customers



3,651 NEW PRODUCTS VERIFIED as part of our product safety procedure

1 PRODUCT RECALL. Our objective is zero. Whenever it comes to our attention that something is wrong with one of our products, we initiate a recall rather than compromise children's safety.



“We strive to make children smile by selling quality products that inspire them to play, learn and have fun”

309
STORES

30,683
PRODUCTS IN
ASSORTMENT*


19.9 million
CUSTOMERS SERVED
IN BR & TOYS"R"US

2,228
FULL-TIME
EMPLOYEES



**ADJUSTED
EBITDA
DKK 165
MILLION**

ADJUSTED REVENUE
**DKK
3,538**
MILLION

45
million
PRODUCTS SOLD
THROUGH
BR & TOYS"R"US

THIS IS TOP-TOY

We are the leading retail company for toys and other children's products in the Nordic region, defined by our strong values and clear business concept. We have a passion for play, a commitment to responsible business and a desire to meet and exceed customer expectations.

A leading position through more than 300 BR and TOYS"R"US stores

Through our two retail chains BR and TOYS"R"US, we offer a broad range of inspiring products that enable children of all ages to explore and develop their creativity while learning and having fun. The range spans everything from toys, trampolines and pools to children's books, bed linen, role-play costumes and accessories. We sell our own brand products and other leading international brands.

We operate more than 300 stores. Most of our stores are in the Nordic region, but we also have more than 20 BR stores in Germany. In addition,

we have four BR web shops and four TOYS"R"US web shops. This makes TOP-TOY the leading player in the Nordic toy market.

Our core values

Our five core values – business sense, responsibility, family tree, top performance and toy fun – are engrained in the company and each of our employees. They are also embedded in our Code of Conduct, which guides the ethical behaviour of our people, helping them to make the right decisions and shaping a culture based on personal accountability.

Our sustainability commitment

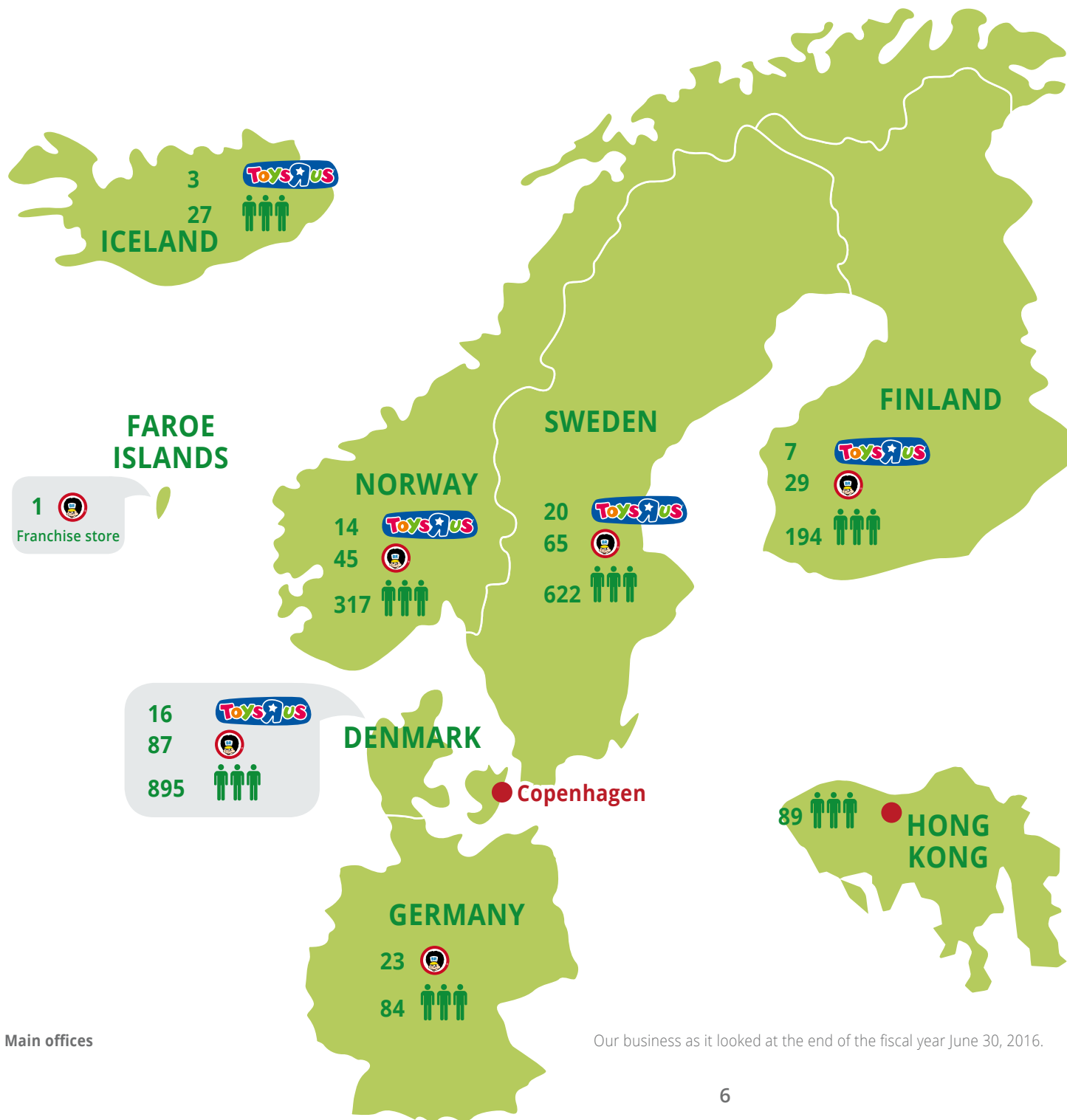
We take responsibility for our actions throughout the value chain and with respect for our most important stakeholders – the children who play with our products. We invest many resources in ensuring our customers can trust our products to be safe, produced under responsible conditions and marketed in an ethical manner. We see

* Number of products in the assortment during the financial year. Previously this was reported as number of products on a specific date.

this as an investment in our customers and in the development and growth of our company.

Investing in future growth and building on more than 50 years of experience

TOP-TOY has more than 50 years of experience in enriching children's lives. In 2015/2016, we took an important step towards strengthening our development and innovation capabilities through a new partnership with the private equity fund EQT. The partnership adds competencies and capital to TOP-TOY that will support the market share growth of our retail banners. EQT's and TOP-TOY's values complement each other well, as both emphasise responsible business practices, entrepreneurship, a long-term view of value creation and always doing better than yesterday. EQT is now the majority shareholder in the company, while the founding Gjørup family still owns approximately 24%.



Our business as it looked at the end of the fiscal year June 30, 2016.



Business sense

We strive to give our customers good service and offer them products of the right quality at the right time and price. Business sense also means being proactive and driving our markets.



Responsibility

We take responsibility for our actions throughout the value chain and with respect for our most important stakeholders – the children who play with our products.



Family tree

The importance of family is apparent throughout TOP-TOY. Families are the most frequent visitors to our stores, and there is a strong family spirit among our employees.



Top performance

We strive to be top performers. We want to do better than yesterday, and we do this by listening to relevant stakeholders and closely monitoring our performance.



Toy fun

Fun is a key driver in our work, and one we wouldn't be without. Just as children have fun experimenting and trying out new things, we have fun when choosing and testing the products we sell and growing our company.



2,228 full-time employees



249 BR stores



60 TOYS'R'US stores



“ **BR is the authority on making children happy** with its recognisable mascot and its own loyalty programme Club BR ”



249
STORES

MORE THAN
118,000
FACEBOOK LIKES

~88%
CUSTOMER BRAND AWARENESS

Over 1,000
FULL-TIME
EMPLOYEES



13.2 million
CUSTOMERS SERVED



24%
REVENUE
BASED ON BR PRODUCTS
AND OWN BRANDS



27
million
PRODUCTS SOLD

BR – THE AUTHORITY ON MAKING CHILDREN HAPPY

BR is TOP-TOY's high street toy retailer with stores in prime locations, a strong brand with a recognisable mascot, well-established customer relationships and, not least, our loyalty programme Club BR.

The authority on making children happy

Our ambition is to make BR the authority on making children happy – known for understanding what children want and making them smile. We want BR to remain the no. 1 specialty retail chain in the Nordic markets and the customers' preferred place to go for personal service, easy and convenient shopping and a targeted assortment of inspiring, quality products. Celebrating children's birthdays is important, so all Club BR members can collect a free gift in their local BR shop when their big day comes around.

As part of the exciting journey towards modernising and re-focusing BR, we have rolled out a more modern, Scandinavian BR identity concept in all our stores to strengthen the customer shopping experience.

While children can still enjoy all the colours and magic of wonderful products at their eye level, adults are treated to a more accessible store with easy navigation signs and a smart layout.

BR store network

We opened the first BR store in 1963. Today we have a strong market position and a network of more than 240 stores, all located close to our customers in shopping malls and other prime locations in Denmark, Sweden, Norway, Finland, the Faroe Islands and Germany. Customer awareness of the BR brand is strong, averaging 88% in our Nordic markets. We work continuously to optimise our network by opening new BR stores in markets with growth potential and closing unprofitable ones.

Fun, inspirational, safe toys of high quality

BR offers a focused assortment of fun, inspirational and high quality toys and other products that target young children. The assortment

comprises our own brand, our private label brands and many well-known brands from our suppliers. BR offers a broad range of creative and educational products such as baby and toddler toys, children's books, roleplay costumes and accessories, interactive toys, video games and much more.

BR own brands – responsible products focused on child development

To differentiate BR from other retailers, we invest in developing our own brand products, sold exclusively in our BR stores and web shops. Our focus is on products that target babies, toddlers and young children. We continuously develop our own brand products and product lines, such as our creative BR line, BR Wood and BR Bath. Both BR Wood and BR Bath have been designed with the physical development, learning abilities and creative thinking of 0 to 3-year-old children in mind. Safety and sustainability considerations are naturally integrated in the development and design of these products.

RESPONSIBLE BR PRODUCT LINE

This BR stacking soldier is sold in all our stores and web shops. It is part of BR's wooden product line and intended for children from 18 months of age.

Children's right to safe play

Children have a right to safe play. To protect them, the BR stacking soldier has gone through a thorough safety and quality procedure to ensure it meets the highest mechanical and chemical safety standards. It has been subjected to several mechanical tests.

Safe for children to chew

It is perfectly safe for children to put the soldier in their mouths. All ingredients in the paint have been evaluated to make sure there are no harmful substances.

Packaging and the environment

The packaging is made of recycled cardboard with a UV coating that ensures quality and environmental standards are met.



Working conditions

China is the country of origin. Like all our products from China, the soldier is produced in a factory that has been audited for its working conditions.

Child development

The BR stacking soldier has been designed with much consideration for the physical development, learning and creative thinking of children. It is great for challenging and developing hand-eye coordination and problem-solving skills.

Timeless design

The design of the stacking soldier is based on Scandinavian traditions. It is durable, classic and evokes a sense of nostalgia.

Sustainable wood

The stacking soldier is made from FSC® certified wood. That means it supports responsible forestry and is certified in accordance with FSC standards.





60
STORES



18 million
PRODUCTS SOLD

Over 500
FULL-TIME
EMPLOYEES



~83%
CUSTOMER BRAND AWARENESS

~104,500
NEW TOYS"R"US
NEWSLETTER
MEMBERS
(a total of ~ 406,800)



6.7 million
CUSTOMERS SERVED

EVERYTHING FOR CHILDREN AT TOYS"R"US

TOYS"R"US is TOP-TOY's chain of large toy stores, offering a broad assortment of entertaining products at great prices and targeting children of all ages.

The one-stop destination with everything for children

TOYS"R"US is the one-stop destination with everything for children. Our target when developing the TOYS"R"US concept is to ensure that TOYS"R"US is the most entertaining destination for children and adults, offering fun experiences and events and the largest assortment of children's favourite brands, great prices and good bargains. This includes building in-store experience universes, creating points of inspiration and entertainment, and introducing designated areas for events and seasonal occasions.

“ We have successfully operated a **strong network** of TOYS"R"US stores for more than **20 years** ”

TOYS"R"US store network

For more than 20 years, TOP-TOY has successfully operated a strong network of TOYS"R"US stores across the Nordic region under a licence agreement. Today we operate 60 stores across Norway, Sweden, Finland, Denmark and Iceland, giving us a strong position in the market. By opening new stores in markets with growth potential, we optimise our store network continuously. Customer awareness of the TOYS"R"US brand is strong, averaging 83% in our largest markets.

More than 12,000 fun, inspiring products per store

Each TOYS"R"US store offers more than 12,000 products, covering everything from trampolines, swimming pools, bicycles and construction products to party tableware, lamps and children's furniture. TOYS"R"US also offers a wide selection of well-known brands, such as LEGO, PLAYMOBIL, FISHER PRICE, and our private-label brands, including OUTRA and COLOR KIDS.

We focus on creating a strong mix of products that appeals to a broad target group so our customers can always find a broad range of categories. TOYS"R"US should also be the go-to place for entertaining seasonal and outdoor products.

OUR 2020 STRATEGY

Our 2020 ambition is to develop and grow our company to maintain our position as the undisputed no. 1 toy retailer in the Nordic region, committed to delivering value to customers and consumers while achieving sustainable and profitable growth.

We have defined three strategic objectives to ensure we achieve this goal: differentiating our retail chains and expanding our store network, developing a customer-centric approach and strengthening our online position. A number of strategic initiatives support these objectives. All TOP-TOY employees are involved in the implementation of our strategy and are regularly updated on our progress.

OUR STRATEGIC OBJECTIVES



Differentiating our retail chains and expanding our store network



Developing a customer-centric approach



Strengthening our online position

Examples of our strategic progress in 2015/2016

- We finalised the implementation of the new BR store design, which aims to improve our customers' shopping experience. More than 210 stores in our Nordic markets now enjoy the new, modern look.
- We have expanded our own brand product lines, BR Wood and BR Bath, with 22 new products. In September 2015, we launched a new creative own brand product line. These product lines help to differentiate BR from TOYS"R"US and other toy stores.
- We are working on detailed strategies for each of our product categories to ensure our product offerings meet customer demands. This has led to the introduction of new product categories. For example, we have introduced children's books to our product assortment in BR Sweden following their successful introduction in Denmark.

- We have further optimised our store network to bring our stores closer to customers. In 2015/2016, the network increased with 12 more stores, as we opened 24 new stores and closed 12.
- We have optimised our click and collect service by introducing click and collect express in Denmark, Norway, Sweden and Finland. Customers using click and collect express can order their products online and collect them just three hours later in any of our BR or TOYS"R"US stores.

Examples of initiatives that will support our strategy in the future

- We will continue to work on the BR concept and on ensuring that TOYS"R"US stands out as the one-stop destination with everything for children.
- We will implement a new global ERP system. The system is scheduled to go live in spring 2017. The system will enable us to collect better data about customer purchasing behaviour, equipping us to create a more tailor-made experience for the individual shopper.
- We will continue to strengthen and digitalise Club BR so members have more reasons to visit our BR stores all year round.
- We will enhance our online shopper experience across both banners and all markets by strengthening our online platforms to ensure they utilise commercial activities across all channels and meet consumer expectations.
- We will continue to expand our store network.

OUR APPROACH TO SUSTAINABILITY

We strive to run our business in an ethical way. This means taking responsibility for our actions throughout the value chain and for our most important stakeholders – the children who play with our products.

Products you can trust

Our sustainability priorities are defined by what we consider material for us as a company with children as the end-consumers: making sure that our customers can trust our products and our marketing.

Our customers should be able to trust that toys bought in our stores are safe for their children to play with, meet all applicable national and international legislation and have been produced under responsible conditions for factory workers. In addition, when children come in our stores or browse our catalogues, they should not be exposed to products or marketing that could affect them negatively. For this reason, we avoid stereotyping, sexualisation and products that promote gambling, for example.

Our priorities

Important priorities across our supply chain are:

- Safe play for the children playing with our products
- Safe and responsible factory working conditions
- An ethical product offering and marketing

Our employees and the communities we are part of are equally important to our business. For this reason, we also focus on:







- Business ethics and community engagement
- Reducing our environmental impact
- Employees and diversity

UN Global Compact

As part of our commitment to responsibility, we have been signatories of the UN Global Compact since 2010. As illustrated below, we consider and work with the UN Global Compact principles at all stages of our value chain.

UN, UNICEF and Save the Children have developed the Children's Rights and Business Principles that guide us in prioritising our sustainability activities throughout our value chain. We focus primarily on the following principles:

- Respect and support children's rights
- Contribute to the elimination of child labour
- Provide decent work for young workers, parents and caregivers
- Ensure that products and services are safe
- Use marketing and advertising that respect and support children's rights.

 WE SUPPORT	 Designing and choosing our products	 Production	 Products on the move	 Selling our products	 Our products in play
Human and labour rights	Children have a right to safe play and should not be exposed to products that may affect them negatively. This is why we integrate product safety and ethical considerations in our product design and selection.	We respect the rights of our employees and of workers in our value chain. Our social compliance programme works to ensure our products are made under safe and responsible conditions.		We strive to meet our customers with an ethical product offering and marketing and aim to utilise our stores to raise funds for our communities.	We test our products thoroughly – because children have a right to safe play.
Human and labour rights - our employees	Our office employees in Hong Kong and Denmark ensure our product assortment is fun and inspiring, and we strive to ensure them a good job with a sustainable work-life balance.		We strive to create a good work environment and minimize work-related injuries among employees at our distribution centre.	We strive to ensure good jobs for our store and office employees who contribute to providing customers with a great shopping experience.	
Environment	We integrate environmental concerns in the packaging of our own brands.		We try to avoid air freight and work to reduce waste, energy use and emissions at our distribution centre.	We aim to reduce energy consumption and emissions in our stores.	
Anti-corruption	Our Code of Conduct sets high ethical standards for transparent and objective business decisions.			Our Code of Conduct sets high ethical standards for transparent and objective business decisions.	

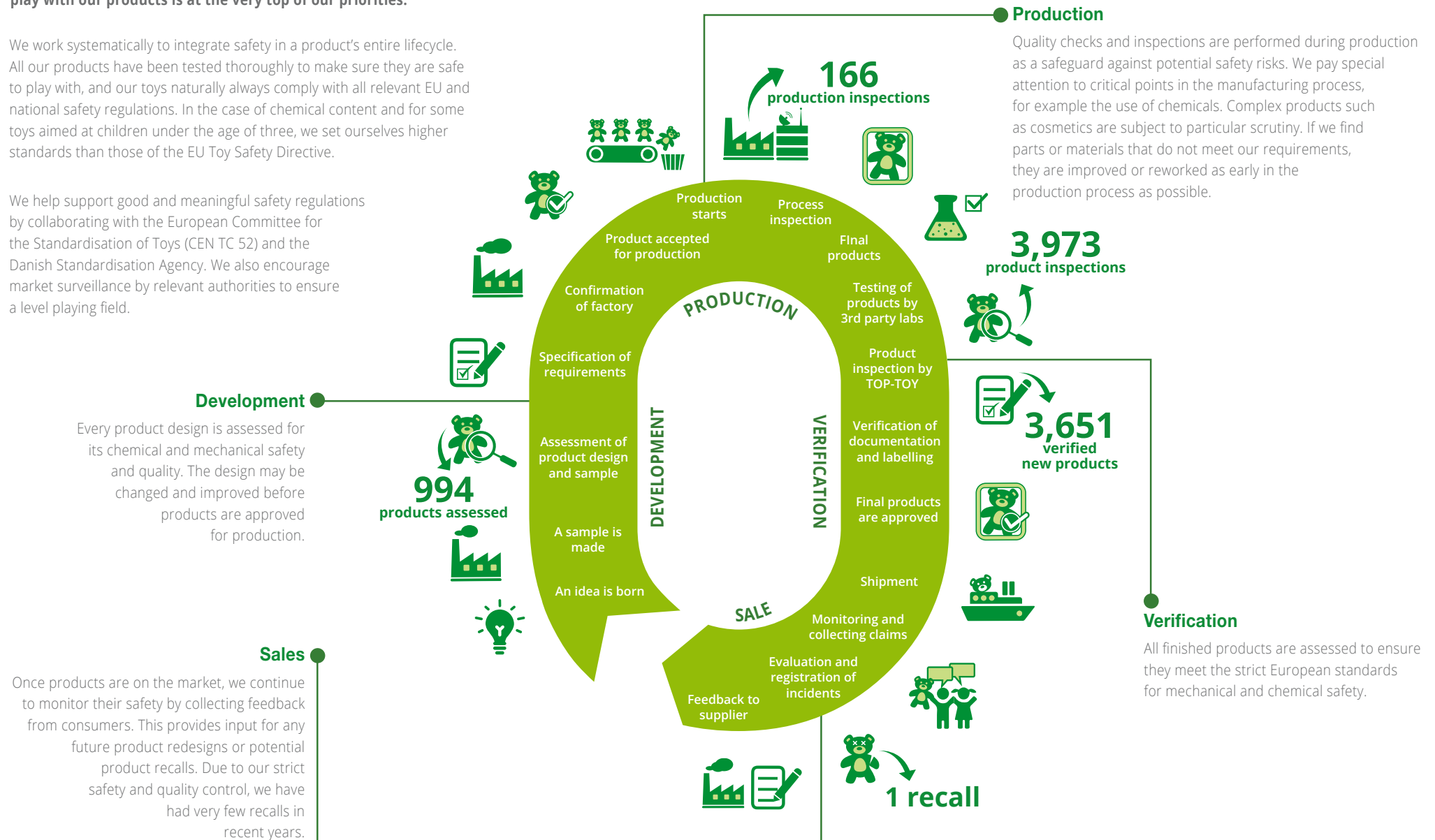
* The table illustrates how we work with the UN Global Compact principles in our value chain.

SAFE PLAYING EXPERIENCES

Children have a right to safe play. The safety of the children who play with our products is at the very top of our priorities.

We work systematically to integrate safety in a product's entire lifecycle. All our products have been tested thoroughly to make sure they are safe to play with, and our toys naturally always comply with all relevant EU and national safety regulations. In the case of chemical content and for some toys aimed at children under the age of three, we set ourselves higher standards than those of the EU Toy Safety Directive.

We help support good and meaningful safety regulations by collaborating with the European Committee for the Standardisation of Toys (CEN TC 52) and the Danish Standardisation Agency. We also encourage market surveillance by relevant authorities to ensure a level playing field.



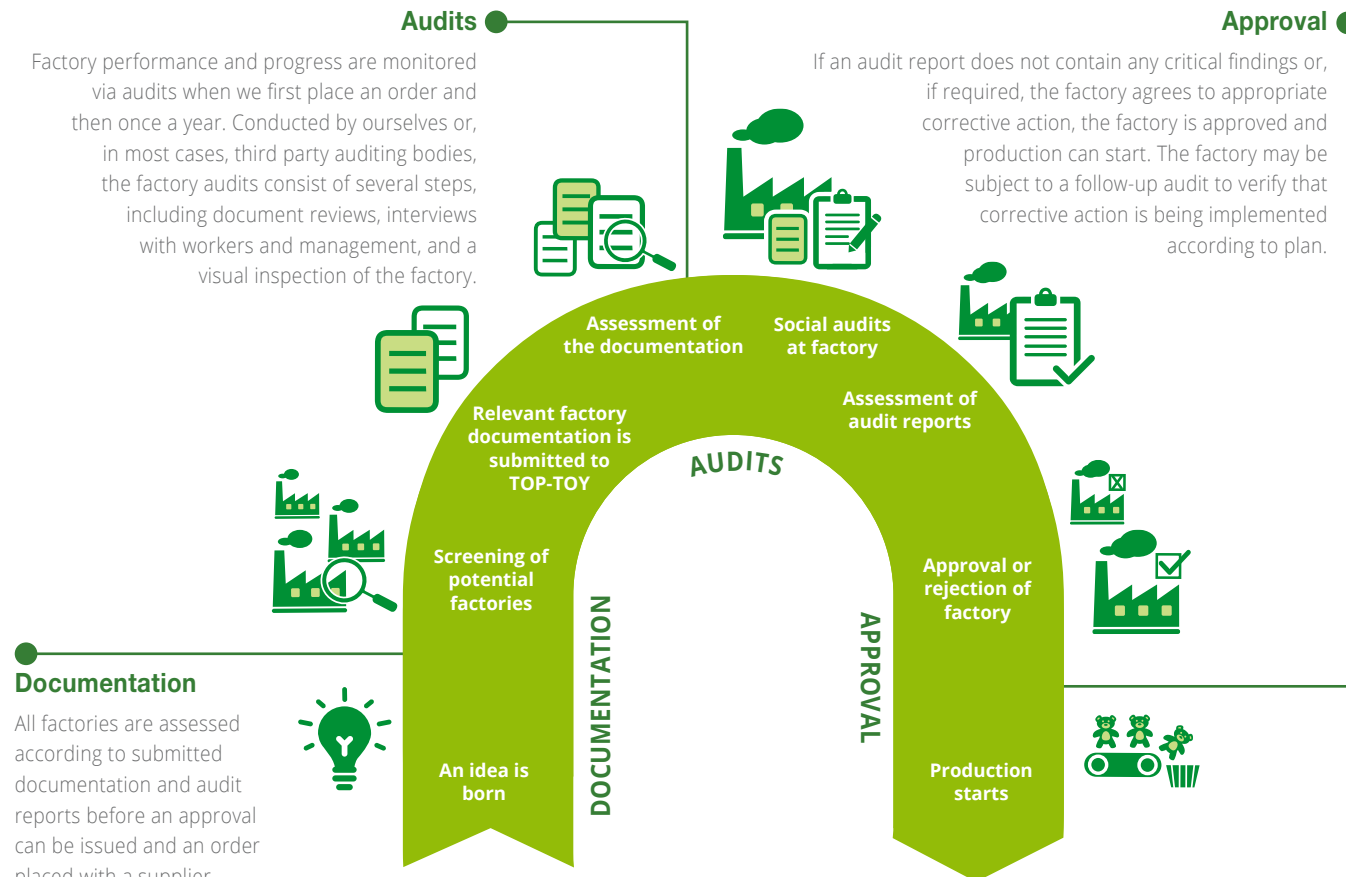
SAFE AND RESPONSIBLE WORKING CONDITIONS

We take our responsibility to respect human and labour rights seriously. Through our social compliance programme, we work continuously to ensure our products are made under responsible conditions with respect for international human rights and labour standards. Our products are only produced by factories that have been audited in accordance with our social compliance standards.

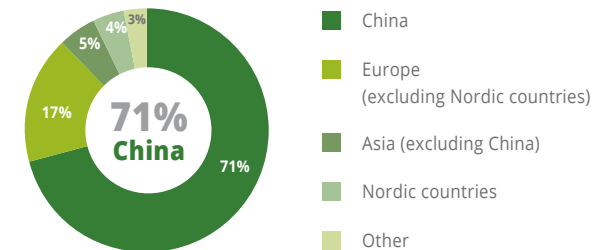
We do not own any factories ourselves but collaborate with our suppliers to make sure the people, who make our toys, have safe, humane and healthy working conditions, where their rights are respected.

We monitor our suppliers' performance via social audits. We screen the working conditions of all supplier factories through a step-wise approval process, and an order cannot be placed before the factory is approved. In 2015/16 we screened 836 factories.

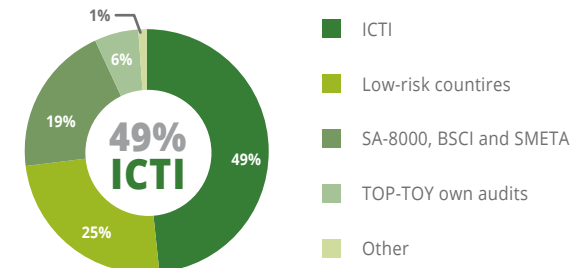
In 2015, we initiated a dialogue with the Centre for Children's Rights and Corporate Social Responsibility (CCR CSR) to assess our human rights impact in our supply chain, with special focus on young and migrant workers. We are now assessing the best way to include the learnings from this cooperation in our social compliance programme.



Geographical distribution of factories 2015/16



Factory certification and audits 2015/16



ETHICAL PRODUCT OFFERING AND MARKETING

It is through our products and marketing that we engage most directly with children and their families. Children experience our marketing and product offering when they browse our catalogues and visit our stores.

Ethical product offering

As children are our target group, we have an even greater responsibility to be ethical in terms of both product offering and marketing. Customers should feel confident that children will not be exposed to products that may affect them negatively, for example by sending inappropriate signals or causing emotional or physical harm. For this reason, we developed our Ethical Product Offering Policy in 2015 to define products we will not include in our assortment.

Responsible marketing

Our Ethical Product Offering Policy also covers some marketing-related issues. In the years ahead, we will increase our focus on responsible marketing by developing a separate Responsible Marketing Policy. This ambition comes from the recognition that marketing communications can influence children's behaviour. We wish to ensure our marketing promotes safe, inclusive and active play.

Examples of our positions

Safe play: We offer personal protection equipment along with products such as bikes, skateboards and roller skates, for example. We also make sure that the use of relevant personal protection equipment is shown when promoting these products.

Tobacco and alcohol: We do not offer products that can be perceived as promoting the use of tobacco or alcohol. As far as possible, this also applies to the reproduction of related logos on, for example, football trading cards and model-scale vehicles.

Right impression of product features: We promote products in a way that gives children the right impression of product features. This avoids disappointing the children.



Gender, marketing and product offering

We want to give children the opportunity to wish for products and play with toys of their choice. In our experience, girls and boys often like to play with many different toys across traditional and stereotypical gender categories. This is why we always strive to give our customers the opportunity to buy and play with the toys of their own choice regardless of gender.

This principle is also reflected in our marketing, where we work to portray children playing together with products across categories, both in our catalogues and when we produce other commercial material.

We also make efforts to avoid stereotyping in our store design. In all BR stores and new TOYS"R"US stores, the sections are not categorised according to gender but according to product categories such as interactive play, creativity and learning, classic toys, baby and toddler products, and so on.

Although we work continuously to ensure we portray modern ways of playing without stereotyping, we acknowledge that this takes time and that things do not change overnight.

BUSINESS ETHICS AND COMMUNITY ENGAGEMENT



We strive to conduct our business in an ethical manner, and we engage with our stakeholders and the wider community. Our ongoing goal is to improve our business and become more responsible. We welcome feedback from our customers and other stakeholders.

Community engagement

We believe that most challenges are best faced together. This is why we support initiatives that promote responsible business and collaborate with relevant organisations that work for responsible manufacturing practices at industry level or for good and meaningful safety regulations.

Community investment

As part of being a responsible company, we wish to invest in the communities we are part of to help children in need and make them smile. We wish to make sure that the organisations we support get the most out of our community investment, and we believe the best way to achieve this is through long-term strategic partnerships. From 2009 to 2014, we supported the SOS children's villages in Nanchang, China, primarily by selling plush dogs in our BR stores. During this period, we donated approximately DKK 11.5 million. We are in the process of establishing strategic partnerships

with two international organisations that aim to improve children's lives and opportunities - one for each of our retail banners. These partnerships will be launched during 2016/2017.

Business ethics

At TOP-TOY, we are committed to high ethical standards in everything we do. To support this, we have developed our Code of Conduct, which helps guide the responsible behaviour of our employees.

The Code of Conduct is a tool for encouraging and supporting dialogue when solving the ethical dilemmas that employees may face in their daily work and for establishing clear roles and responsibilities across the organisation. It also ensures our external stakeholders know what to expect from us.

Detailed policies and tools support the practical application of our Code of Conduct.



We participate in the Business Social Compliance Initiative (BSCI)



The UN Global Compact
Signatory since 2010



ICTI CARE Foundation

International Council of Toy Industries (ICTI) Care Foundation.
We are part of the ICTI Care Committed Brands PLUS Program.

**We also collaborate with European Committee for the Standardisation of Toys (CEN TC 52)
and the Danish Standardisation Agency**

REDUCING OUR ENVIRONMENTAL IMPACT

We are committed to minimising our overall impact on the environment while striving to promote environmentally responsible behaviour among our employees, suppliers and business partners.

Our environmental policy

We operate in a global context where we need to focus our environment-related efforts on those areas where we can make the most positive change. Since we do not own any manufacturing or production sites, our biggest direct environmental impact comes from our distribution set-up and retail stores. Our environmental policy focuses on the following six priority areas where we believe we can bring about the most positive change:

- Energy and emissions
- Product packaging
- Waste
- Transportation
- Product suppliers
- Investments and purchases

Responsible BR product lines

We have integrated environmental concerns in the development of all our new BR product lines. Packaging is made of recycled cardboard with a UV coating that ensures quality and environmental standards are met. In addition, the BR Wood product series is made entirely of FSC-certified wood. In 2015/2016, we sold more than 135,000 BR Wood products and added 15 new products to this product line.



Implementing LED lighting in our warehouse and stores

One of the most important steps we have taken to reduce energy consumption and emissions is the implementation of LED lighting in our own facilities. At our distribution centre, this has saved approximately 710,000 kWh, corresponding to 300 tonnes of CO2 a year. At our BR stores, we have saved approximately 4.4 million kWh, corresponding to a 1,800 tonne reduction in CO2 and annual savings of DKK 3.2 million.

In 2015/2016, we implemented LED lighting in eight new TOYS”R”US stores. LED lighting will also be implemented in the remaining TOYS”R”US stores in the years ahead.

Stores with LED lighting at year-end	2014/15	2015/16
Stores with LED lighting	35%	75%

EMPLOYEES AND DIVERSITY

At TOP-TOY, we view our employees – their knowledge, creativity and engagement – as our most important asset.

Job creation

We are aware that one of our key contributions to society is job creation. Through our stores, warehouse and offices, we create jobs that require a range of skillsets. Located in many parts of the Nordic countries, our stores create local jobs for skilled and unskilled workers. In 2015/2016, more than 6,132 people were employed at TOP-TOY, corresponding to 2,228 full-time employees.

Creating good jobs

We want to create good jobs that attract and retain qualified employees. To achieve this, we invest in maintaining and developing our employees' qualifications and work continuously to improve our training of store and office employees. During 2015, 70 store managers or trainee store managers attended our store manager school.

We have a strong health and safety organisation in our stores, warehouses and offices. We encourage employees to be prompt and proactive in reporting workplace hazards and accidents and raising concerns about the workplace that can impact physical or psychological safety.

Diversity

We believe that our future competitiveness depends on our ability to attract and retain an engaged and competent workforce, recognising the benefits of diversity in respect of gender, culture and experience. Our aim is to continue progressing towards our long-term commitment to hire and promote women at top management level.

Our long-term goal for diversity in our Board of Directors is that two board members should be women in 2019/2020. In 2015/2016, the number of women on the board decreased. In light of our goal, this development is naturally unsatisfactory. Our 2015/2016 target was that around half of all new managerial appointments should be women. We will maintain this target until a balanced gender distribution has been achieved. In 2015/2016, the target was only reached for new middle manager employees.

Closure of NORSTAR

Part of our responsibility as an employer is to treat our employees with respect – also in the unfortunate situations where we have to let people go. On 1 January 2016, we completed the closure of our wholesale business, NORSTAR. The decision affected 131 colleagues, all of whom have been offered guidance and support in taking the next step in their careers.



Women and men in top management

	2014/15		2015/16	
	Women	Men	Women	Men
Board of directors	17%	83%	0%	100%
Executive management team (EMT)	0%	100%	0%	100%
Top management team (TMT)	38%	62%	23%	77%
Middle managers	26%	74%	31%	69%
Store managers	67%	33%	65%	35%
Entire top management	59%	41%	60%	40%

New appointments to managerial positions 2015/16

	Women	Men
Board of directors	0 (0%)	4 (100%)
Executive management team (EMT)	0 (0%)	1 (100%)
Top management team (TMT)	0 (0%)	3 (100%)
Middle managers	5 (62%)	3 (38%)
Entire top management	5 (31%)	11 (69%)

FINANCIAL PERFORMANCE

TOP-TOY's financial performance in 2015/2016 was negatively affected by one-off costs related to the closure of our wholesale business and to moving into a new head office. Our operating business was also negatively impacted by exchange rate developments. At the same time, revenue from our core business – retail – increased. We expect results to improve to a satisfactory level as early as 2016/2017 following implementation of margin-improving initiatives in 2016.

Revenue – store and online performance

Total revenue declined 2% to DKK 3,917 million due to the closure of wholesale activities at year-end 2015 and a lower exchange rate for Norwegian and Swedish kroner.

Retail revenue increased 5.9% adjusted for currency impact. This was due to the net addition of 12 stores to our network. Both our BR and TOYS"R"US web shops recorded considerable growth in the number of visitors and revenue as well as high customer satisfaction. Customers have responded very well to our click and collect service.

Wholesale revenue declined from DKK 592 million in 2014/2015 to DKK 379 million in 2015/2016. All wholesale activities were closed at year-end 2015.

This year's profits

Adjusted EBITDA declined by 27% to DKK 165 million. During the financial year, significant management resources were spent on changes related to the closure of the wholesale division at the end of 2015 and on new strategic projects following the partnership with EQT. Our operating business was also negatively impacted by exchange rate developments, which were hedged only to a limited degree and could not be fully absorbed in decisions regarding sales prices and assortment mix at short notice. The decline also caused a decline in profits after tax. One-off costs related to the closure of our wholesale business and a write down of assets related to moving the Danish head office to new modern facilities in Vallensbæk near

Copenhagen, contributed further to the decline in profits after tax.

Looking ahead

We expect that the market for toys will grow modestly in the coming years, as consumer confidence increases and more children are born. Our goal is always to perform better than the market and increase our market shares.

The toy market is a dynamic market, where a new Star Wars® movie, for example, can have a major impact on the product assortment. As the 2016 Christmas season will be characterised by few big, new toy-related movies and stories, classic toys and play patterns will be in focus.

We will implement margin-improving initiatives in 2016. Along with our strategic focus on strengthening our omni-channel, becoming more customer-centric and differentiating our BR and TOYS"R"US brands so they appeal to different consumer needs, this prepares us for a strong year of growth – in total sales and same-store sales and from our online and omni-channel efforts.

TOP-TOY key figures in DKK million

	2013/2014	2014/15	2015/16
Revenue	3,965	4,007	3,917
Adjusted revenue*	3,336	3,424	3,538
Adjusted EBITDA**	185.2	226.7	165.4
Profit for the year	63.6	103.1	6.6

Employees and stores

Number of full-time employees	2,258	2,177	2,228
Number of stores	302	297	309

Key financial ratio

Adjusted EBITDA margin	5.6%	6.6%	4.7%
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* Adjusted revenue excludes wholesale revenue

** Adjusted EBITDA excludes discontinued wholesale activities, consultancy costs for strategic projects, reorganisation and movement of HQ to Vallensbæk

ABOUT THIS REPORT

This 2015/2016 performance report is our seventh annual report and part of our effort to give stakeholders a clear and easily accessible account of our financial and non-financial progress.

The report is supported by more extensive online information about our company, policies and performance. These are available at www.top-toy.com

Legal notices

Throughout this report, references are made to TOP-TOY, which consists of TOP-TOY A/S and its subsidiaries.

TOP-TOY is a registered trademark of TOP-TOY (Hong Kong) Ltd. BR and the Guardsman (workmark and devices) are registered trademarks of TOP-TOY A/S. NORSTAR is a registered trademark of NORSTAR A/S.

TOYS"R"US, the TOYS"R"US & Star design and the Giraffe design are registered trademarks of Geoffrey, LLC. TOP-TOY A/S is a licensee of Geoffrey, LLC.

METHODOLOGY AND REPORTING FRAMEWORK

Scope and reporting framework

This report focuses on our performance during the financial year from 1 July 2015 to 30 June 2016.

The report meets the criteria of the UN Global Compact, including the commitment to issue an annual Communication on Progress (COP) report.

Our financial report, particularly the management review, complies with the statutory statement on corporate social responsibility by the Danish Financial Statements Act, section 99a and the statutory statement on corporate social responsibility by the Danish Financial Statements Act, section 99b. This report is available at www.top-toy.com

Non-financial data

This report is based on quantitative and qualitative data collected from internal systems and key people across the organisation. Statements and data have been verified for correctness by responsible managers to ensure the report is an accurate reflection of TOP-TOY's performance. We work continuously to improve our data collection and verification systems and become more data driven.

Financial data

The financial data in this report covers TOP-TOY A/S and its subsidiaries.



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